

Message Text

LIMITED OFFICIAL USE

PAGE 01 ROME 13643 01 OF 02 251737Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 L-03
H-01 PA-01 /096 W
-----050680 251741Z /43

R 251545Z JUL 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC 4465
TREASURY DEPT WASHDC

LIMITED OFFICIAL USE SECTION 1 OF 2 ROME 13643

PASS FRB

E.O. 11652 N/A
TAGS: EFIN, IT
SUBJECT: FINANCIAL MARKET DEVELOPMENTS (78-7) - MONEY AGGREGATES

1. INTERNATIONAL MONETARY TRANSACTIONS IN JUNE.
THE NET ASSET POSITION IN GOLD AND FOREIGN EXCHANGE OF
ITALIAN MONETARY INSTITUTIONS, I.E. BANK OF ITALY AND
COMMERCIAL BANKS, WAS \$803 MILLION HIGHER IN JUNE THAN
IN THE PREVIOUS MONETARY TRANSACTIONS IN JUNE WERE:
(1) AN INCREASE IN OFFICIAL FOREIGN EXCHANGE RESERVES
OF \$860 MILLION; (2) THE SECOND IN QUARTERLY REPAYMENTS
OF \$350 MILLION ON THE EC'S 1.8 BILLION MEDIUM-TERM
CREDIT; (3) AN INCREASE OF \$470 MILLION IN THE NET
FOREIGN DEBTOR POSITION OF THE COMMERCIAL BANKS; AND
(4) A \$175 MILLION EUROMARKET BORROWING FOR FINANCING
RECONSTRUCTION IN THE FRIULI EARTHQUAKE REGION. THE
BANK OF ITALY'S MEDIUM AND LONG-TERM LIABILITY POSITION
HAS BEEN COMING DOWN SINCE THE BEGINNING OF THE YEAR
AS THE ITALIAN AUTHORITIES HAVE MET PROMPTLY AND
EVEN ACCELERATED OFFICIAL DEBT REPAYMENTS. THE ONE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 13643 01 OF 02 251737Z

BILLION DOLLARS THAT WAS DUE THE BUNDESBANK, FOR EXAMPLE,
IN SEPTEMBER WAS REPAYED IN JULY, I.E.
TWO MONTHS EARLY. THE NET FOREIGN LIABILITY POSITION
OF THE COMMERCIAL BANKS, ON THE OTHER HAND, WHICH
HAS BEEN FLUCTUATING BETWEEN 6 AND 7 BILLION DOLLARS,
ROSE IN JUNE TO THE UPPER END OF THIS RANGE. THE NET
INDEBTEDNESS OF THE BANKS IS MORE "COVERED" NOW, HOWEVER,

BY OFFICIAL FOREIGN EXCHANGE HOLDINGS THAN IN THE FIRST
HALF OF 1977, AND IN ANY CASE, THE BANKS' INDEBTEDNESS
IS IN LARGE PART MATCHED BY COMMERCIAL CREDITS EXTENDED
BY ITALIAN EXPORTERS. (TABLES 1, 2, 3)

2. MONEY AND FINANCIAL DEVELOPMENTS. THE DECLINE IN
DOMESTIC INTEREST RATES THAT TOOK PLACE IN 1977 LEVELED
OFF IN THE FIRST MONTHS OF 1978, AND RATES HAVE CONTINUED
STABLE AS OF MID-JULY. THE RATES OF INCREASE OF THE
MONETARY AGGREGATES HAVE ACCELERATED SLIGHTLY IN 1978.
THE 12-MONTH RATES OF GROWTH OF THE MONEY AGGREGATES
ARE NOW FLUCTUATING AROUND 23-24 PERCENT, AS
COMPARED TO 21-22 PERCENT IN 1977. IN THE CASE OF
MONETARY BASE, ALTHOUGH THE RATE OF GROWTH HAS
CONTINUED AT ROUGHLY THE SAME LEVEL THROUGH JUNE 1978
AS IN 1977, I.E. AROUND 20 PERCENT A YEAR, THE SOURCES
OF GROWTH HAVE ALTERED SIGNIFICANTLY. IN 1978, DIRECT
BANK OF ITALY FINANCING OF THE TREASURY HAS AGAIN
BECOME THE MAJOR SOURCE OF BASE CREATION, IN 1977
THE CENTRAL BANK WAS ACTUALLY ABLE TO REDUCE ITS HOLDINGS
OF TREASURY OBLIGATIONS, THUS DESTROYING BASE MONEY.
INTERNATIONAL TRANSACTIONS ARE CONTINUING TO CONTRIBUTE
TO MONETARY EXPANSION IN 1978; THIS YEAR, HOWEVER,
THE MAJOR FACTOR IS THE SURPLUS ON CURRENT ACCOUNT,
WHEREAS IN 1977 IT WAS THE DEFICIT IN THE NET SHORT-
TERM DEBTOR POSITION OF THE BANKS. (TABLES 4 AND 5)
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ROME 13643 01 OF 02 251737Z

3. TABLE 1-MONETARY MOVEMENTS (MILLIONS OF DOLLARS)

	MAY 1-31	JUNE 1-30	JAN 1-JUNE 30
1. BOI/UIC	--	-35.5	1,572.4
GOLD			
CONV. FOR. EX.	892.4	859.9	1,189.8
OTHER	109.2	448.	409.3
TOTAL BOI/UIC	1,001.6	1,273.0	3,171.5
2. COM. BANKS' NET			
FOREIGN POSITION-171.1		-469.6	-459.7
3. SURPLUS/			
DEFICIT	830.5	803.4	2,711.8

1) INCLUDES GOLD STOCK REVALUATION OF \$1,572.4 MILLION IN
THE PERIOD JANUARY-JUNE AND OF -\$35.5 MILLION IN JUNE.
EQUAL CONTINGENT LIABILITY INCLUDED IN "OTHER".

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 ROME 13643 02 OF 02 010438Z
ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 L-03
H-01 PA-01 /096 W
-----029080 010440Z /14/43

R 251545Z JUL 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC 4466
TREASURY DEPT WASHDC

LIMITED OFFICIAL USE SECTION 2 OF 2 ROME 13643

PASS FRB

C O R R E C T E D C O P Y (PARAS 4. AND 5. ADDED)

4. TABLE 2- FOREIGN RESERVE POSITION (MILLIONS OF DOLLARS)

	1977	1978	1978
	DEC 31	MAY 31	JUNE 30
1. BOI/UIC			
GOLD	11,260.0	12,867.9	12,832.4
CONV. FORL EX.	7,960.0	8,289.9	9,149.8
OTHER (1)	-5,585.6	-4,017.0	-3,603.9
TOTAL BOI/UIC	13,634.4	17,140.8	18,378.3

2. COMMERCIAL

BANKS' NET			
FOREIGN POS.	-6,573.3	-6,563.4	-7,033.0
TOTAL	7,061.1	10,577.4	11,345.3

(1) INCLUDES LIABILITIES TO EC, BUNDESBANK AND IMF.

5. TABLE 3- EXTRAORDINARY TRANSACTIONS (MILLIONS OF DOLLARS)

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 13643 02 OF 02 010438Z

	MAY 1-31	JUNE 1-30	JAN 1 -JUNE 30
IMF POSITION		195.7	
IMF (1974) STANDBY		-371.0	
IMF (1977) STANDBY		-	
IMF OIL FACILITY	-31.4	-83.6	
BUNDESBANK GOLD LOAN		-17.0	517.0
EC LOAN	-349.6	-699.2	
GOLD REVALUATIONS		-35.5	-1,472.4
EUROMARKET LOANS	-98.8	175.0	3.0

6. TABLE 4 - FOREIGN EXCHANGE AND MONEY MARKET RATES

	JAN 4	MAY 24	JULY 19
LIRA/\$ SPOT	861	872	847
LIRA/\$ 6 MO.	902	897	864
LIRA/\$ BLACK MKT.	883	875	843
LIRA DEPRECIATION, IN PERCENT 1)			
ALL CURRENCIES	40.11	39.34	39.22
DLOOAR	32.53	33.39	31.41
EC CURRENCIES	46.44	45.48	45.87
INTEREST RATES			
INTERBANK 3 MO.	11.375	11.875	11.875
TREASURY BILL,			
3 MO. 2)	11.80	11.1.80	11.34
PRIME RATE	16.00	16.00	16.00
LIRA/\$ 3 MO. DIS			
COUNT	10.8	5.7	3.6
AVERAGE BOND	14.149	13.734	13.726

1) CALCULATED RELATIVE TO QUOTATIONS ON FEB 9. 1973;
WEIGHTED ACCORDING TO GEOGRAPHIC DISTRIBUTION OF
ITALIAN TRADE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ROME 13643 02 OF 02 010438Z

2) AT REGULAR END-OF-MONTH AUCTION; LATEST AVAILABLE
RATE IS FOR JUNE.

7. TABLE 5 - MONEY AND CREDIT AGGREGATES (12-OMONTH
RATES OF CHANGE IN PERCENT)

	1977	1978		
	DEC	MAR	APR	JUNE
MONETARY BASE 1)	18.9	23.4	-	21.3
M1 2)	21.9	24.1	23.6	-
M33)	24.0	23.9	-	-
TOTAL DOMESTIC				
CREDIT	17.8	18.8	17.6	-

DATA FOR 1978 IS STILL PRELIMINARY

- 1) EXCLUDING POSTAL DEPOSITS
- 2) CURRENCY IN CIRCULATION PLUS DEMAND DEPOSITS
- 3) M1 PLUS SAVINGS DEPOSITS AND TREASURY BILL HOLDINGS

OF NON-BANK PUBLICGARDNER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, REPORTS, FINANCIAL MARKETS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ROME13643
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780305-0107
Format: TEL
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780723/aaaaaszz.tel
Line Count: 225
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f9b2676d-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1894238
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL MARKET DEVELOPMENTS (78-7) - MONEY AGGREGATES
TAGS: EFIN, IT
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/f9b2676d-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014